

T-O-P S-E-C-R-E-T

Attachment to
USIB.D-53.1/6
Limited Distribution

28 April 1961

MEMORANDUM FOR: Chairman, The United States Intelligence Board

SUBJECT : Estimated Foreign Intelligence Costs for Fiscal Year 1960

1. A report on estimated foreign intelligence costs for Fiscal Year 1960 has been prepared in accordance with the instructions approved by the U. S. Intelligence Board (Annex A).

2. The purpose of this report is to provide as clear and as meaningful an estimate of the intelligence costs of the government as possible in order to aid the Director of Central Intelligence in carrying out his responsibilities to coordinate the foreign intelligence effort of the United States and the United States Intelligence Board in supporting its responsibilities to establish policies and develop programs for the guidance of all departments and agencies concerned. A secondary purpose is to provide an agreed estimate of intelligence costs which will be available for distribution to competent authority outside of the Intelligence Community.

3. The scope of the cost estimates contained in this report covers those United States foreign intelligence activities which are generally understood to be subject to coordinating authority of the Director of Central Intelligence and to the guidance and policies of the United States Intelligence Board. The activities, covered by this report, are those which have been determined by each of the participating agencies as subject to this coordination.

4. This report can serve only purely statistical purposes inasmuch as costs can only be distributed into some of the functional categories by resorting to individual judgments involving the distribution of indirect and some direct costs which are, of course, subject to varying degrees of interpretation.

5. The cost estimates for Fiscal Year 1960 have been developed on the basis of the accounting records maintained by the individual agencies. In general, they are prepared on an obligation basis with the exception of the Atomic Energy Commission which is on an accrued cost basis in

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accordance with the Commission's cost type budget and accounting system and the Army which is partially on an obligation and partially on an accrued cost basis in conformity with the accounting system in use.

6. The cost estimates have been developed from two basic types of cost data:

Direct Obligations: Those obligations actually incurred by an intelligence command, bureau or element thereof, or any comparable intelligence organization which actually performs the intelligence activity involved and can identify the related obligations. In essence, such obligations are those under the direct control of an intelligence organization (Central Intelligence Agency and National Security Agency) or an intelligence element of a larger organization (AF Security Service/Air Force; ACSI/Army; G-2, USAREUR, INR/State; etc.).

Indirect Obligations: Those obligations which appear in non-intelligence commands, bureaus, services, or other comparable organizations as a part of their own budget operations, but can be identified as being in direct support of an intelligence activity, e.g., R&D projects performed for foreign intelligence purposes.

7. The report consists of an over-all summary by function, including tabulations of both costs and man-years of all departments and agencies within the Intelligence Community and similar tabulations for the components within the Department of Defense.

8. In accordance with the procedure followed last year which was approved by the USIB, there are attached a letter addressed to the Director, Bureau of the Budget (Annex B), and a memorandum addressed to the Chairman, President's Board of Consultants on Foreign Intelligence Activities (Annex C), transmitting a copy of the over-all report.

9. The Chairman of the Committee on Appropriations, House of Representatives has in prior years requested summary costs on intelligence. A request has not been received from the committee to submit such a report this year. There is attached, however, a report (Annex D) which it is

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suggested be approved for submission to the Chairman of the Committee on Appropriations should a request for such information be received from him.

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11. The instructions for the preparation of this report were amended substantially prior to the submission of the report for Fiscal Year 1960. Two main changes were made, namely:

a. Optional presentations by contributors were no longer permitted. This was done since distortions in data resulted when contributors were granted opportunities for optional presentation of data within the established categories.

b. In order to clarify the fiscal information provided for this report and to develop it into a much more effective management tool, a number of changes were made in the report. Examples of these changes are:

(1) The new report includes five major categories instead of four. The additional category, "III. Management", was added to permit the identification of these costs by the community. This category of overhead costs cannot appropriately be identified with any of the other activities. This is particularly true of those Intelligence members not having an intelligence collection and production responsibility.

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(2) Presentation of data is now identified to appropriate families of activities. For example, in Section II, Production and Dissemination, the category Military Intelligence was employed in lieu of the separate categories for Army, Navy, Air, J-2, Current, and Joint Intelligence as formerly used. This was done to make this category consistent with the other types of intelligence such as Economic, Geographic, etc.

(3) An additional category of costs was broken out and is given on the report as Section I.g., Publication Procurement. This was done in view of the size of the activity and its importance as a separate type of collection.

(4) The category, 31. Requirements Coordination, in the Fiscal Year 1959 report was deleted. This change was made because of the difficulty of segregating the cost of Requirements Coordination from the closely associated collection and production costs. Requirements Coordination is usually included in the organization responsible for the related substantive operations.

12. In addition to the overall report, a series of comparative tabulations comparing Fiscal Years 1959 and 1960 are attached. One tabulation compares the total of each component for Fiscal Years 1959 and 1960 (Annex E) supported by a very brief explanation of the differences. A series of tabulations (Annex F) demonstrates the wide variation between the reports for Fiscal Years 1959 and 1960 which resulted primarily from the changes outlined in paragraphs 10 and 11 above. In order that these cost estimates will become more meaningful in reviewing the programs and activities of the Intelligence Community in subsequent years, it is recommended that changes in instructions be kept at a minimum.

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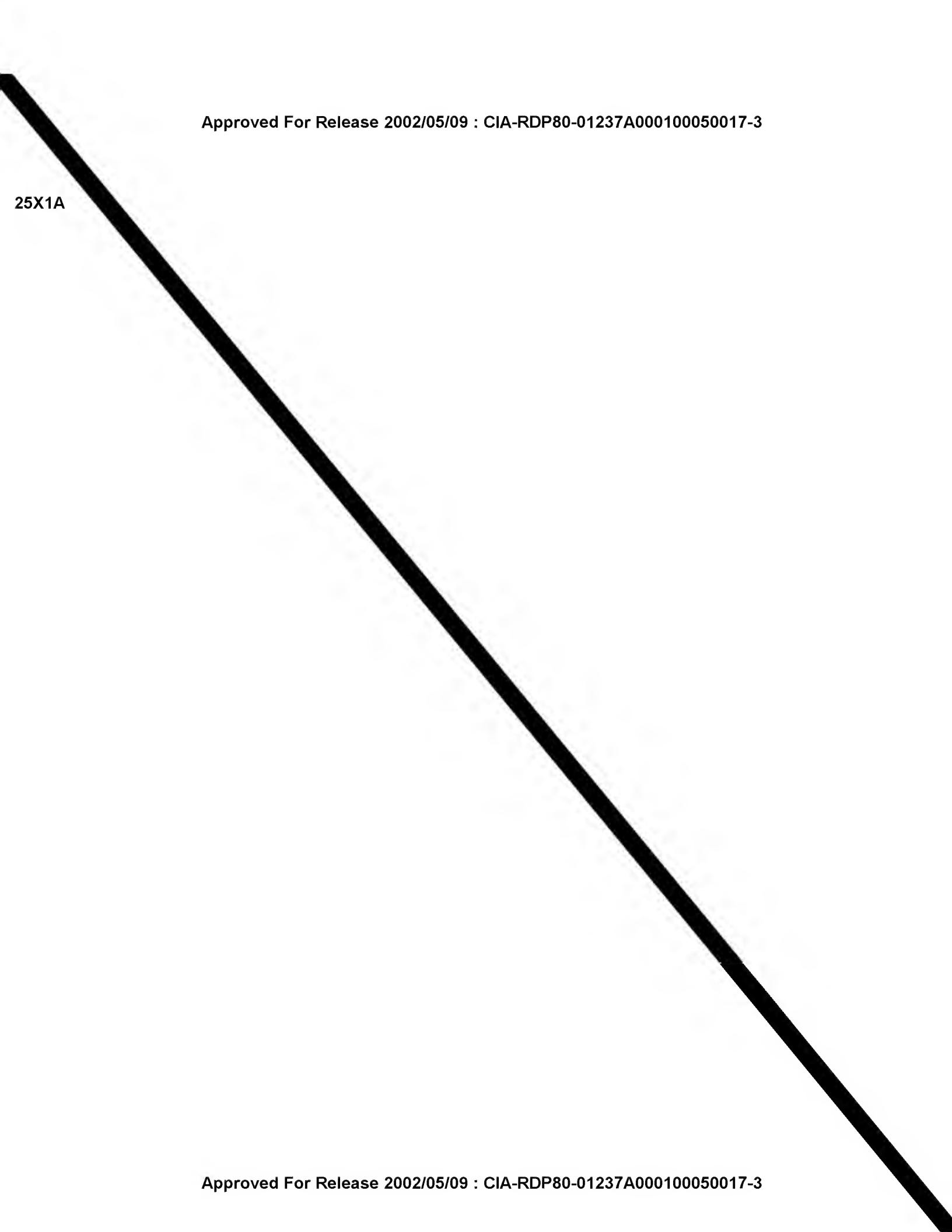
E. R. SAUNDERS
Chairman
Cost Estimates Committee

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